

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

IndyMac Securities Corporation

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

888 East Walnut Street, 4<sup>th</sup> Floor

OFFICIAL USE ONLY

FIRM I.D. NO.

Pasadena

(No. and Street)  
CA

91101

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Renee Bianco

(626) 535-8650

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst & Young LLP

725 South Figueroa Street

(Name - of individual, state last, first, middle name)

Los Angeles

CA

90017

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

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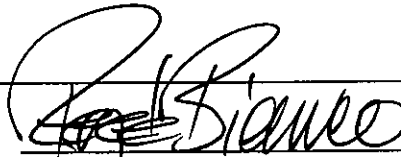
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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AB  
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## OATH OR AFFIRMATION

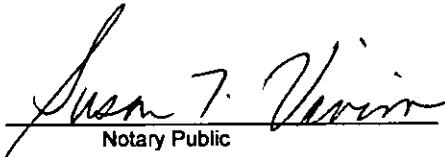
I, Renee Bianco, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of IndyMac Securities Corporation, as of December, 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

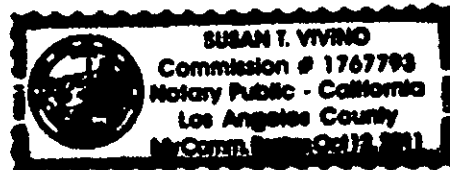


Signature

Chief Financial Officer

Title

  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal control.
- ☐ (p) Schedule of segregation requirements and funds in segregation – customers' regulated commodity futures account pursuant to Rule 171-5.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

IndyMac Securities Corporation  
For the Year Ended December 31, 2007

IndyMac Securities Corporation

Financial Statements  
and Supplemental Information

For the Year Ended December 31, 2007

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## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder  
IndyMac Securities Corporation

We have audited the accompanying statement of financial condition of IndyMac Securities Corporation (the Company) as of December 31, 2007, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ernst & Young LLP*

February 28, 2008

IndyMac Securities Corporation

Statement of Financial Condition

December 31, 2007

**Assets**

Cash and cash equivalents	\$ 4,829,833
Receivables from brokers, dealers, and others	281,517
Other assets	17,000
Total assets	<u>\$ 5,128,350</u>

**Liabilities and stockholder's equity**

Liabilities:

Accounts payable, accrued expenses, other liabilities, and income tax payable	\$ 105,545
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Stockholder's equity:

Common stock (1,000 shares authorized, issued and outstanding; \$.01 par value)	10
Additional paid-in capital	4,999,990
Retained earnings	22,805
	<u>5,022,805</u>

Total liabilities and stockholder's equity	<u>\$ 5,128,350</u>
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*See accompanying notes.*

# IndyMac Securities Corporation

## Statement of Income

For the Year Ended December 31, 2007

### Revenues

Commissions	\$ 21,900
Interest income	255,052
Income from underwriting and selling groups	189,791
Other	35,000
Total revenues	<u>501,743</u>

### Non-interest expenses

Reimbursable operating expenses and management fees	301,626
Salaries and related	51,710
Professional services	108,000
Other	6,893
Total non-interest expenses	<u>468,229</u>
Income before income taxes	<u>33,514</u>

Provision for income taxes	13,104
Net income	<u><u>\$ 20,410</u></u>

*See accompanying notes.*

IndyMac Securities Corporation

Statement of Changes in Stockholder's Equity

For the Year Ended December 31, 2007

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	
	<u>Shares</u>	<u>Par Value</u>	<u>Paid-in</u>	<u>Earnings</u>	<u>Total</u>
			<u>Capital</u>		
Balance at December 31, 2006	1,000	\$ 10	\$ 4,999,990	\$ 2,395	\$ 5,002,395
Net income	—	—	—	20,410	20,410
Balance at December 31, 2007	1,000	\$ 10	\$ 4,999,990	\$ 22,805	\$ 5,022,805

*See accompanying notes.*



# IndyMac Securities Corporation

## Statement of Cash Flows

For the Year Ended December 31, 2007

### Operating activities

Net income	\$ 20,410
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables from brokers, dealers, and others	(30,244)
Other assets	1,000
Increase (decrease) in:	
Accounts payable, accrued expenses and other liabilities	68,948
Net cash provided by operating activities and increase in cash and cash equivalents	60,114
Cash and cash equivalents at beginning of year	4,769,719
Cash and cash equivalents at end of year	<u>\$ 4,829,833</u>

*See accompanying notes.*

# IndyMac Securities Corporation

## Notes to Financial Statements

Year Ended December 31, 2007

### **1. Organization**

IndyMac Securities Corporation (the Company), a wholly-owned subsidiary of IndyMac Bank, F.S.B. (the Parent), was approved on March 31, 2006 as a registered broker and dealer in securities under the Securities Exchange Act of 1934 and as a member of the Financial Industry Regulatory Authority, formerly known as the National Association of Securities Dealers, Inc. The Company is a full-service brokerage and investment banking firm engaged primarily in the institutional brokerage business, including underwriting services.

The Company clears its securities transactions on a fully disclosed basis through Ridge Clearing & Outsourcing Solutions, Inc. (the Clearing Broker), formerly known as ADP Clearing and Outsourcing Services, Inc.

### **2. Significant Accounting Policies**

Commissions are recorded on a trade date basis.

Cash and cash equivalents include a demand and money market account with a financial institution. Interest income is earned on the money market account and is accounted for on an accrual basis.

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an agent. Investment banking revenues are recorded at the time the underwriting is completed and the revenue is reasonably determinable.

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

### **3. Receivables from Brokers, Dealers, and Others**

Receivables from brokers, dealers, and others represents an interest earning margin deposit of \$281,517, including accrued interest. The interest rate earned on the deposit was 2.65% as of December 31, 2007.

# IndyMac Securities Corporation

## Notes to Financial Statements (continued)

### 4. Income Taxes

The Company is included in the consolidated federal income tax return filed by IndyMac Bancorp, Inc. (Bancorp), the parent of the group to which the Company and Parent belong. Federal income taxes are calculated as if the Company filed a separate federal income tax return. The Company generally files separate state and local income tax returns but, where applicable, is included in the consolidated or combined state income tax return filed by Bancorp. If included in a combined return, state and local taxes are calculated as if the Company filed a separate state income tax return.

The components of income tax expense for the year ended December 31, 2007 are as follows:

Current:	
Federal	\$ 10,993
State	2,111
	<u>\$ 13,104</u>

There are no deferred federal and state income tax expenses.

### 5. Commitments and Contingencies

The Company entered into a four-year contract with the Clearing Broker in November 2006. Minimum fees over the remaining contract term aggregate to \$345,000, or approximately \$115,000 per year. The Company may terminate the contract with a 60 day advance notice and the payment of a termination fee, which is based on a sliding scale. During the first year, the termination fee is \$100,000 and after the first year, the termination fee would be equal to 70% of the monthly minimum fee.

The Company has no outstanding litigation or trades that have not yet settled.

### 6. Related Party Transactions

The Company paid approximately \$300,000 during the year ended December 31, 2007 to its Parent in accordance with the Expense Agreement (the Agreement) dated February 7, 2006. The Agreement requires the Company to pay the Parent a monthly amount equal to 90% of net revenues, defined as revenues less direct expenses. The Agreement provides examples of direct expenses, such as commissions, registration and licensing fees, accounting and legal fees, and

## IndyMac Securities Corporation

### Notes to Financial Statements (continued)

#### 6. Related Party Transactions (continued)

insurance premiums. The Agreement provides that the Parent pay for all expenses related to the formation, organization, and registration of the Company, office space, engagement of employees, and other operational support. The term of the Agreement is for one year, subject to successive one year renewal options by mutual consent of the parties.

Included in other assets is a receivable of \$17,000 from the Parent for interest earned on the money market account. During the year ended December 31, 2007, interest earned on the money market account was approximately \$255,000.

#### 7. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission (the SEC) Uniform Net Capital Rule (Rule 15c3-1). The Company computes its net capital requirements under the alternative method provided for in Rule 15c3-1. At December 31, 2007, the Company had net capital of approximately \$4,984,433 which was \$4,734,433 in excess of the required net capital of \$250,000.

Under the clearing arrangement with the Clearing Broker, the Company is required to maintain net capital at a minimum of \$1,000,000. At December 31, 2007, the Company was in compliance with this requirement.

## Supplemental Information

## Schedule I

## IndyMac Securities Corporation

## Computation of Net Capital Pursuant to Rule 15c3-1

December 31, 2007

Computation of net capital		
Total stockholder's equity		\$ 5,022,805
Deductions from stockholder's equity		<u>—</u>
Total regulatory capital		<u>5,022,805</u>
Deductions and/or charges:		
Nonallowable assets:		
Other assets	\$ 17,000	
FINRA state registration fees	<u>21,372</u>	
Total deductions and/or charges		<u>38,372</u>
Net capital		<u>\$ 4,984,433</u>
Computation of alternative net capital requirement		
Net capital requirement (minimum)		<u>\$ 250,000</u>
Excess net capital		<u>\$ 4,734,433</u>

*There were no material differences between the audited Computation of Net Capital included in this report and the corresponding schedule included in the Company's unaudited December 31, 2007 Part IIA FOCUS filing.*

Schedule II

IndyMac Securities Corporation

Reserve, Possession or Control Requirements  
Statement Regarding Rule 15c3-3

December 31, 2007

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(ii) of that Rule.

## Supplementary Report



## Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)

The Board of Directors and Stockholder  
IndyMac Securities Corporation

In planning and performing our audit of the financial statements of IndyMac Securities Corporation (the Company), as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e). Because the Company does not carry securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority (FINRA), and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

February 28, 2008

END